

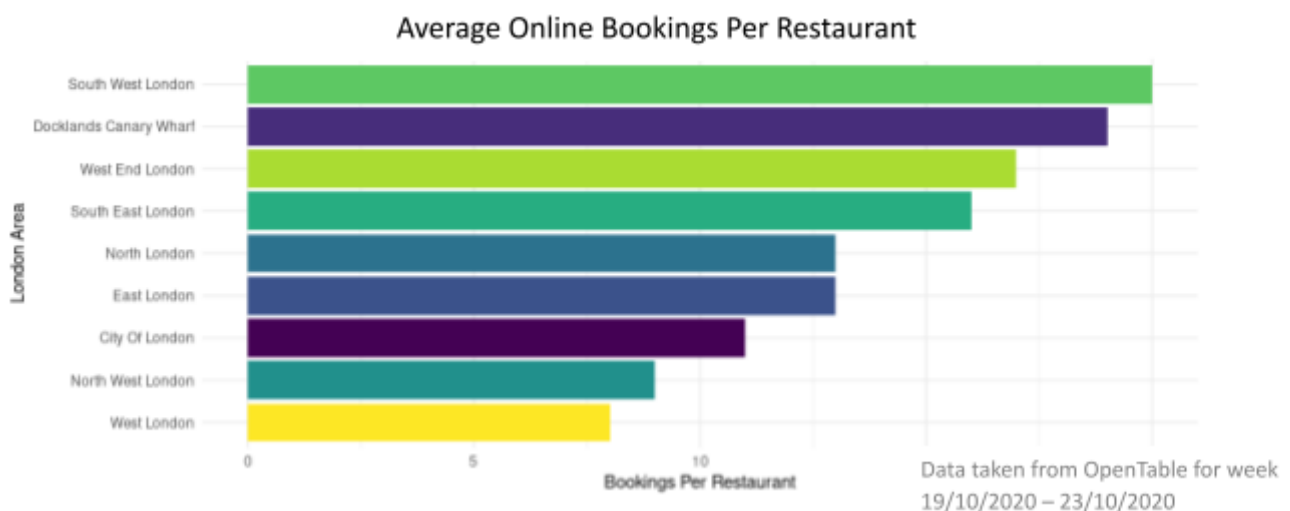
## Hard Times: London's restaurants are changing for good

By Thomas Saunders

It was the best of times, it was the worst of times. Increasingly, the disproportionate effects of COVID-19 have left London's hospitality sector reading like a tale of two cities. On the one hand, residential areas have rallied around their local businesses and restaurants, some doing better now than they were before the pandemic. On the other hand, restaurants in the storied City of London and West London have seen business all but disappear.

The barista at Redemption Roasteries, a coffee shop off Islington High Street, had little to say about COVID. He shrugged, "less inside" but "it is what it is". Even then, the shop was almost full on the inside and apart from the occasional shuttered restaurant you would have a hard time remembering that Islington and other residential areas in London were at the centre of a second Coronavirus wave. In comparison, the centre of London feels stuck in time as restaurants and pubs remain open but empty, as the tourists and commuters have so far failed to return after the first lockdown.

Chris Jeffrey, a director at the hospitality industry tracker CGA, noted that their data "has shown a fairly even spread of reopenings around England, though Scotland and Wales have lagged a little behind as hospitality operators were restricted for longer there." But while businesses have been able to reopen, this in itself is a poor indicator of consumer demand and sales data tells an entirely different story. In their interim report, The Restaurant Group registered a like-for-like sales growth of 25 per cent in its Wagamama restaurants located within communities, compared to a like-for-like sales decline of 24 per cent within its central London locations.



According to Mr Jeffrey, "Government advice has certainly impacted city centre and high street venues, especially in London. With so many people working at home and consumers understandably anxious about crowded spaces and using public transport, footfall in previously busy areas has dropped substantially." The UK proved remarkably receptive to the idea of working from home during the first lockdown and since then little has changed.

The comparative drop in footfall can be seen in most city centres but the drop has been most precipitous in London where public transport is the only affordable form of transport. However, this

is not the only reason that city centres have suffered. Consumers have sought firstly to support their local businesses, which they have closer connections to and have a personal stake in ensuring they thrive.



The CGA has also noticed this trend, Mr Jeffrey said: “CGA’s consumer research shows that many people are staying close to home when they go out to eat and drink, and during lockdown, there was a clear desire to support local businesses.” In many cases, the drop in business in city centres has been picked up by restaurants closer to home. Large restaurant chains have begun to recognise this trend and have started to target their residential locations instead. Pret-A-Manger recently permanently closed 30 UK shops in order to focus on its suburban coffee shops as trade in the City of London has failed to recover.

Ultimately, these dual winds have had a severely unequal effect on the hospitality industry, leaving marked polarisation within the sector. This disparity is only set to grow wider with the imposition of local lockdowns. Mr Jeffrey explained: “We have seen an immediate and significant impact on sales in top-tier places like Liverpool. We can expect some stark geographical divides in sales in the weeks ahead—though hopefully the restrictions on hospitality can be eased sooner rather than later.”

Rishi Sunak recently revised his own winter economic plan, telling MPs that the “the impact of restrictions on particularly in the hospitality sector is more significant than they had hoped.” Businesses will now be eligible for up to £21,000 a month if they are in Tier 2 restrictions. However, it is unclear whether this will do enough to help those businesses which have been starved of customers even without restrictions.

The most profound question weighing on those restaurants in city centres across the United Kingdom is whether these trends might be reversed or whether they will crystallise into a new post-Covid-19 reality. Initial data has not been promising. Data from the CGA’s latest report indicate that 83 per cent of pub operators are no longer looking to expand in city centres.

According to research commissioned by Cisco Systems, nearly nine out of ten workers want to be able to choose whether to work from home or the office once COVID-19 workplace restrictions ease. Tourism does seem to be picking up anytime soon either, with air passenger volumes not expected to recover until 2022. Just this week, the storied real estate firm Cain International moved their headquarters from Mayfair to Islington in search of more affordable rent and a wider selection of amenities.

Monique Wong, a Senior Portfolio Manager at Coutts, agreed: "As lots of office workers are working from home, I do think that local high street restaurants are getting more custom - eat-in & takeaway - than areas like the City where you have a concentration of offices. Also, there aren't as many tourists because people aren't travelling. I haven't gone into the West End for several months now, but I suspect that restaurants and shops in those areas are not getting many customers."

Some of the larger hospitality groups have put themselves in strong positions to weather the pandemic. JD Wetherspoon, Youngs and City Pub Group all raised equity in early summer and a VAT cut helped Mitchells & Butlers to reduce its net debt in the fourth quarter. However, smaller independent restaurants are liable to fall by the wayside if business does not recover quickly enough. As Ms Wong aptly stated: "In the bigger picture, our worlds have shrunk in the pandemic. It has become Local vs Global."